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Ecuador

Oilseeds and Products

Annual Report

2004

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Report Highlights:

Domestic production of soybeans in Ecuador is insufficient to meet local demand for soybean meal and soy oil industries. Ecuador is a net importer of soybean meal and soy oil. Argentina supplies almost 99 percent of soy oil. Uruguay, Bolivia, and Argentina are the main suppliers of soybean meal to Ecuador

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Domestic production of soybeans is insufficient to meet local demand of soy oil for producing blended cooking oil, and is insufficient to satisfy domestic demand of soybean meal for feed compound industry. Ecuador does not import soybeans to meet domestic demand but import soybean meal and soy oil. However, Ecuador exports soybeans to Colombia where are higher priced. Soybean meal imports are fairly stable, averaging to 265,000 MT for MY2002 to MY2004. Ecuador imported 74,000 MT of soy oil for MY2003 and is forecasted to import 76,000 MT for MY 2004. Argentina, Uruguay and Bolivia are the main suppliers of soybean meal. Argentina provides almost 99 percent of crude soy oil to Ecuador. Ecuador implemented a safeguard of 29 percent against imports of refined soy oil, lards and margarines originating from Andean countries. The goal of this action was to increase prices of refined soy oil products originating in Colombia, Peru and Bolivia and to protect domestic cooking oil refining industry.

OILSEED SOYBEANS

PSD Table							
Country	Ecuador						
Commodity	Oilseed, Soybean						
	2003	Revised	2004	Estimate	(1000 HA)(1000 MT)	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	UOM
Market Year Begin		06/2002		06/2003		06/2004	MM/YYYY
Area Planted	58	60	47	60	0	55	(1000 HA)
Area Harvested	58	58	47	57	0	53	(1000 HA)
Beginning Stocks	1	1	1	2	1	1	(1000 MT)
Production	97	97	75	94	0	86	(1000 MT)
MY Imports	3	12	0	0	0	0	(1000 MT)
MY Imp. From U.S.	0	5	0	0	0	0	(1000 MT)
MY Imp. From the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	101	110	76	96	1	87	(1000 MT)
MY Exports	62	70	45	65	0	60	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	33	33	30	30	0	26	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cn.	5	5	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	38	38	30	30	0	26	(1000 MT)
Ending Stocks	1	2	1	1	0	1	(1000 MT)
TOTAL DISTRIBUTION	101	110	76	96	0	87	(1000 MT)
Calendar Year Imports	20	12	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	6	0	0	0	0	(1000 MT)
Calendar Year Exports	0	70	0	65	0	60	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Export Trade Matrix			
Country	Ecuador		
Commodity	Oilseed, Soybean		
Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Colombia	69653	Colombia	64767
Total for Others	69653		64767
Others not Listed			
Grand Total	69653		64767

Production

Soybeans for MY2004/05 are forecasted to decrease to 86,000 MT on 55,000 hectares. This decrease will be a consequence of scarce moisture of the soil due to the lack of normal rainfalls in January to April this year. Most soybeans are planted and harvested in the summer season, which occur July to August and September to December, respectively. Some farmers are encouraged to plant soybeans in the hope to sell them to Colombia where they get a better price. However, production of soybeans in Ecuador are not a profitable and competitive business since the industry is affected by various negative factors such as limited use of improved seeds, inadequate marketing system, lack of technology, high cost for crushing, a weak farmers' association, and the presence of white fly in certain areas of production. There are intentions to reactivate the sector, targeted at increasing local production of soybeans, for this purpose the government of Ecuador plans to carry on a strategy for ten years by using new technology, by researching varieties resistant to diseases, by improving communication between farmers and users of soybeans. The strategy's intention is to work synergistically with producers-crushers and feed manufactures- poultry farmers.

Consumption

Soybeans for MY2004/05 are forecasted to decrease to 86,000 MT on 55,000 hectares. This decrease will be a consequence of scarce moisture of the soil due to the lack of normal rainfalls in January to April this year. Most soybeans are planted and harvested in the summer season, which occur July to August and September to December, respectively. Some farmers are encouraged to plant soybeans in the hope to sell them to Colombia where they get a better price. However, production of soybeans in Ecuador are not a profitable and competitive business since the industry is affected by various negative factors such as limited use of improved seeds, inadequate marketing system, lack of technology, high cost for crushing, a weak farmers' association, and the presence of white fly in certain areas of production. There are intentions to reactivate the sector, targeted at increasing local production of soybeans, for this purpose the government of Ecuador plans to carry on a strategy for ten years by using new technology, by researching varieties resistant to diseases, by improving communication between farmers and users of soybeans. The strategy's intention is to work synergistically with producers-crushers and feed manufactures- poultry farmers.

Trade

Most of the domestic production of soybeans has been commercially marketed to Colombia. For the last summer crop, 2003, Colombians came down to Ecuador to buy all available beans, this occurred when prices in the international market were higher than local Ecuadorian market. Colombians bought about 65,000 MT of soybeans from the summer crop in November, December 2003. FAS office forecasts exports of 60,000 MT for the upcoming 2004. The decrease in exports is due to the expected reduced production during the summer crop. Ecuador did not import soybeans from anywhere, and imports of soybeans likely will not occur for the upcoming marketing year.

MEAL SOYBEAN

PSD Table							
Country	Ecuador						
Commodity	Meal, Soybean						
	2003	Revised	2004	Estimate	(1000 MT)(PERCENT)	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		06/2002		06/2003		06/2004	MM/YYYY
Crush	33	33	30	30	0	26	(1000 MT)
Extr. Rate, 999.9999	0.727273	0.727273	0.7	0.7	0	0.730769	(PERCENT)
Beginning Stocks	12	12	11	24	7	25	(1000 MT)
Production	24	24	21	21	0	19	(1000 MT)
MY Imports	245	265	255	260	0	270	(1000 MT)
MY Imp. from U.S.	20	44	0	0	0	20	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	281	301	287	305	7	314	(1000 MT)
MY Exports	0	2	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	270	275	280	280	0	285	(1000 MT)
TOTAL Dom. Consumption	270	275	280	280	0	285	(1000 MT)
Ending Stocks	11	24	7	25	0	29	(1000 MT)
TOTAL DISTRIBUTION	281	301	287	305	0	314	(1000 MT)
Calendar Year Imports	239	239	240	263	0	260	(1000 MT)
Calendar Yr Imp. U.S.	20	119	0	27	0	30	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix			
Country	Ecuador		
Commodity	Meal, Soybean		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2002		2003
U.S.	119552	U.S.	26875
Others		Others	
Argentina	25594	Argentina	69500
Colombia	9936	Uruguay	80432
		Colombia	2250
		Bolivia	34463
Total for Others	35530		186645
Others not Listed	83347		50265
Grand Total	238429		263785

Production

Soybeans for crushing are forecasted to reach 26,000 MT for the upcoming MY2004/05, yielding 19,000 MT of soybean meal, which in turn is due to of few beans available for the year. As it was informed in previous reports, the crushing industry is dependant on local soybean production. In recent years much crushing machinery has been dismantled due to the dramatic reduction in production. If the trend in soybean production continues downwards, the crushing industry would reduce in the near future.

Consumption

Soybean meal consumption depends on the national animal feed -poultry and shrimp consumption, about 18-20 percent of feed formulation. The poultry and pond raised shrimp industry have been one of the most active industries in the last decade. Ecuador has a 99 million of chicken-per-year poultry market and a production of 155,000 MT of poultry meat a year and 55,000 MT of eggs a year. Feed meal compound industry in Ecuador has increased in the last decade from 608,000 MT in 1993 to 1,350,000 MT in 2003. The poultry and shrimp industries consume an average of 92 percent of feed compound produced in Ecuador. In spite of this dramatic increase of demand for soybean meal, local production has not kept pace with local demand. Current local demand for soybean meal is from 275,000 to 280,000 MT a year. Domestic consumption is expected to increase slightly to 285,000 MT for the upcoming MY2004/05 from 280,000 in the previous year, due to the increase demand of poultry, resulting from increased currency in the economy which in turn due to the repatriated money from Ecuadorian emigrants. Also, changes in habits of taking care pets have demanded additional soybean meal for pets feed formulation. Chicken meat has become a staple product in the Ecuadorian diet; however, Ecuadorian per capita consumption of poultry meat of 15.5 kg. per capita year is below the average consumption of other countries like Peru's 17 kg. per capita per year, Brazil 24 kg per capita year.

Trade

Most of Ecuador protein meal imports are soybean meal. Imports of soybean meal have been tied to the sustained growth of Ecuador's poultry industry. Imports of soybean meal are expected to continue at the level of 270,000 MT for the MY2004, 10,000 MT higher than previous year. Imports for MY2004 do not include 17,000 MT of soybean imports under TRQ, which is charged with an in-quota tariff of 25 per cent. Ecuador did not provide TRQ for CY 2003 because prices of soybean meal in the international market were higher than \$280 per MT. When a given product has a reference price above the ceiling of the APBS, the product is not charged with the variable levy and the ad-valorem rate is reduced. In some cases this reduced ad-valorem rate turns out lower than the negotiated in-quota tariff. In the case of soybean the ad-valorem rate is 15 percent. This explains why -depending on CIF reference prices- importers would not request TRQs on certain years. For the calendar year 2003, Colombia and Bolivia exported 36,713 MT of soybean meal to Ecuador, USA only 26,875 MT of soybean meal, Uruguay and Argentina are the main suppliers of soybean meal to Ecuador totalling 149,932 MT. Prices of the product and tariff preferences were factors that determined the market for these products. Ecuador grants 20 percent reduction of the applied tariff rate for Argentinean soybean meal, as well as Brazil is granted with 20 percent tariff reduction. Imports from Bolivia, and Colombia are assessed with zero tariffs under CAN nation's preferences. However imports of soybean meal originating in the USA are subject to Price band system i.e. 15 percent plus additional variable levy. this latter when reference price falls below the floor price.

For CY2002 meals imports originating in the us were favored due to the program implemented by the government of Ecuador, in which the government granted the local

soybean industry permission to temporarily import soybeans and soybean meal with zero tariff rates, with the condition that local soybean crushers and feed meal compound industry buy the local soybean and soybean meal production. Ecuador bought under this program 119,552 MT of soybeans meal originating in the U.S. This program was abandoned after the decision made in the presidential summit in Santa Cruz, Bolivia, not to allow any exceptions to import soybeans and soybean meal with zero tariff rates by the countries under the can regime.

SOYBEAN OIL

PSD Table							
Country	Ecuador						
Commodity	Oil, Soybean				(1000 MT) (PERCENT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		06/2002		06/2003		06/2004	MM/YYYY
Crush	33	33	30	30	0	26	(1000 MT)
Extr. Rate, 999.9999	0.181818	0.181818	0.2	0.2	0	0.192308	(PERCENT)
Beginning Stocks	12	12	12	7	11	11	(1000 MT)
Production	6	6	6	6	0	5	(1000 MT)
MY Imports	65	62	65	74	0	76	(1000 MT)
MY Imp. from U.S.	6	0	6	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	83	80	83	87	11	92	(1000 MT)
MY Exports	0	2	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	71	71	72	76	0	78	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	71	71	72	76	0	78	(1000 MT)
Ending Stocks	12	7	11	11	0	14	(1000 MT)
TOTAL DISTRIBUTION	83	80	83	87	0	92	(1000 MT)
Calendar Year Imports	65	60	0	73	0	75	(1000 MT)
Calendar Yr Imp. U.S.	5	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix			
Country	Ecuador		
Commodity	Oil, Soybean		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2002		2003
U.S.	53	U.S.	0
Others		Others	
Colombia	5200	Colombia	100
Argentina	52639	Argentina	72977
Venezuela	1900		
Total for Others	59739		73077
Others not Listed			500
Grand Total	59792		73577

Production

Soybean oil production in Ecuador is limited by the availability of soybeans for crushing. Local soy oil production does not meet domestic demand. Local production is 5,000 to 6,000 MT of crude soybean oil a year. Local cooking oil industry depends on soy oil imports to produce blended cooking oil with African palm oil. The main vegetable crude oils for the Ecuadorian cooking oil industry are the African palm oil and soy oil. The vegetable oils for the industry are 74 percent crude African palm oil, 24 percent crude soybean oil, and 2 percent of other vegetable oils, including cotton oil, corn oil, and peanut oil.

Consumption

Total domestic production of edible oils, i.e. vegetable cooking oil, lards, margarine, is forecasted at 260,000 MT for the upcoming MY2004, the average annual growth rate in the last five years of the consumption of edible oils has been about 3 percent. The main vegetable crude oils for the Ecuadorian cooking oil industry are African palm oil and soy oil. Ecuador produces about 270,000 MT of red African palm oil in 135,000 hectares. Most of this production is locally consumed as refined oil blended with soy oil, and some is exported. In CY2003 Ecuador exported 80,000 MT of crude African palm oil. The consumption of crude soy oil for MY2003 is estimated at 76,000 MT which represent an increment compared with previous year of 71,000 MT. For MY2004, consumption of crude soy oil is forecasted to reach 78,000 MT. This is explained both by the increased production of edible blended cooking oil and by the increased demand for soy oil, which is used for the tuna and canned fish industry. Exports of this industry have increased from 51,000 MT to 69,000 MT in the last calendar year.

Trade

Soybean oil imports for MY2004 are forecasted to reach 76,000 MT. Imports in MY2003 are estimated to reach 74,000 MT. With 72,957 MT, Argentina was the leading soy oil imports to Ecuador in MY2003 followed by Colombia with 100 MT. The higher imports of crude soy oil for the current Marketing Year are a result of an increased demand for cooking oil for domestic consumption and an additional use of soy oil for canned tuna and sardine of Ecuadorian industry for exportation. Exports of refined soy oil have increased from 2,223 MT to 2,504 MT in CY2003. This demand is coming exclusively from Colombia. In turn Ecuador imported 2,388 MT of refined soy oil in CY 2002 and 1,881 MT of refined soy oil in CY 2003, Brazil and Bolivia are the main supplier of refined soy oil to Ecuador. Refined soy oil imports and exports are not included in the PS&D table.

Policy

The major restriction in Ecuador for importing soybeans and by-products from the U.S. is the application of the Andean Price Band System (APBS). Ecuador established the Ecuadorian Price Band System (EPBS), previous to its accession to WTO in 1995, which affected more than 60 percent of imports coming from the U.S., among them soybeans, soybean meal and soy oil. This system (the EPBS) was supposed to be phased out by the year 2001. However, due to the fact that Ecuador abandoned the EPBS and adopted the APBS, no steps have been taken to comply with the WTO's commitment.

The APBS assesses high variable duties on soybeans, soybean meal, and soy oil imports from outside the Community of Andean Nations (CAN). The average total tariff rate, which

includes Ad-valorem rate plus a variable levy, for soybeans and soybean meal is 8 percent, and for soybean oil is 14 percent. An exception occurs when Ecuador imports soybean meal under a TRQ, 17,000 metric tons has preferential 25 percent tariff rate. However for the Calendar Year 2003 Ecuador did not provide TRQ, since reference price, which applies for imposing variable levy were higher than ceiling price, in accordance with APBS system ad-valorem rate were reduced lower than 25 percent.

Ecuador has bilateral trade agreements for crude soy oil, and soybean meal imports. Imports of soybean meal and soy oil originating in ALADI region have tariff reduction of the applied tariffs, as follows: Soy oil and soybean meal imports from Argentina are granted 20 percent tariff reduction. Soy oil and soybean meal imports from Brazil have 20 percent tariff reduction. Soy oil imports from Paraguay are granted 100 percent tariff reduction. Imports of these products from Colombia, Venezuela and Bolivia are duty free under CAN regime. Imports coming from any other place are subject to APBS. However, imports from anywhere are exempted from 12 percent value-added tax.

Although the government of Ecuador does not provide any formal subsidy or assistance program to promote soybeans production, the Ministry of Agriculture, through the Consulting Committee, supports agreements between soybean producers with feed meal compound industry to encourage soybeans production by assuring farmers both a price at international level and the absorption of local soybeans harvest. Sometimes, soybeans, soybean meal, and soy oil prices paid to local farmers are higher than prices of imported commodities, compared with CIF prices. On October 2003, the government of Ecuador set prices for soybean meal at \$253.2 per MT, 44% protein content, \$257.0 per MT for soybeans, and \$600 per MT for soy oil from the last summer harvest. These prices were set under an absorption program of 30,000 MT of soybeans locally produced. This time, prices set for soybeans and soybean meal resulted in lower prices than imported product. Prices in the international market increased since November 2003.

On November 26, 2003, Ecuador implemented a safeguard against imports of refined soy oil, lards, and margarines originating from Andean Countries. The goal of this action was to increase prices of refined soy oil products originating in Colombia, Peru and Bolivia, and to protect domestic cooking oil refining industry. The safeguard imposed to soy oil products is 29 percent, equivalent to the Common External rate plus a variable levy, which is paid by any other country outside of CAN nations. However, the secretary of CAN nations, in order to not disturb normal trade has requested Ecuador to provide TRQs, equivalent to the average of imports of the last three years.